SOUTHWESTERN POWER ADMINISTRATION

UPDATE

OCTOBER/NOVEMBER/DECEMBER FY 2001 - FIRST QUARTER REPORT

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Cooperation and Rededication

BY SHARREN RIPLEY & SHARON KING

After four years of dedicated maintenance the Dardanelle Powerhouse was restored to full operating capacity at a Rededication Ceremony on October 25, 2000. Among the attendees were Dardanelle Mayor Carolyn McGee and Amanda Nixon White, District Director, Congressman Vic Snyder's office. The speakers were John Balgavy, Operations Manager, Russellville Project Office, U. S. Army Corps of Engineers (Corps) Little Rock, Arkansas; Ted Coombes, Executive Director, Southwestern Power Resources Association; Mike Deihl, Administrator, Southwestern Power Administration, and Colonel Thomas Holden Jr., Little Rock District Engineer, Corps.

After remarks by Ted Coombes and Mike Deihl each presented a plaque to Colonel Holden praising the spirit of cooperation among the Corps, Southwestern, and customers in accomplishing this massive mission.

COL HOLDEN, DEIHL AND COOMBES THROW THE SWITCH TO RE-ENERGIZE THE NEWLY REHABILITATED DARDANELLE POWERHOUSE

The Dardanelle Powerhouse on the Arkansas River went into service in 1965. By the early 90s each of the four units of the 30-year-old powerhouse had logged 175,000 hours of generating time and had produced more than five billion kilowatt-hours of energy.

The aging units required more frequent maintenance and repairs. At least one of the units was out of service from six to eight weeks to repair welds and cavitation damage. The turbines were at a point where they could no longer be adjusted to match the changes in water flow, thus reducing the efficiency of the units.

The rehabilitation of the powerhouse was funded in the fiscal 1993 budget, making it one of the first major rehabilitations in the country. The $23 million contract was awarded in December 1994 to Voith Hydro, Inc., of York, PA, and on-site work began in October 1996.

The project consisted of replacing the four turbines, rewinding the generators and enhancing the cooling, overlaying portions of the water passages with stainless steel and replacing mechanical speed governors with electronic governors.

The rehabilitation ensures reduced maintenance at the powerhouse which provides for more efficient use of available water flow over a wide range of river flow conditions and under optimum conditions increase the generation capacity of each unit from 32 megawatts to 40 megawatts.

Southwestern will reimburse the rehabilitation costs from power revenues over the life of the project.

Power System Rates Favorable Outcomes in 2000/2001

By Barbara Otte

Fiscal Year 2000 was a busy one for Southwestern's Rates Division, as evidenced in the following overview of rate activities.

We completed rate reviews for Southwestern's three rate systems:

- Integrated System, which comprises 22 U.S. Army Corps of Engineers (Corps) hydropower projects and the transmission system;
- Sam Rayburn Dam Project; and
- Robert D. Willis Project.

The reviews for all three rate systems indicate that current rates are expected to generate sufficient revenues to recover Southwestern's and the Corps' hydropower operation and maintenance costs and the Federal investment, together with interest.

A few of the issues Barbara Otte and the Rates Team juggle to keep things on an even keel.

Rayburn's current rate was scheduled to expire on September 30, 2000, but the rate did not need to be changed. Therefore, a request to extend the current Rayburn rate for one year was submitted to the Deputy Secretary of Energy. That extension was approved on September 6, 2000, for the period October 1, 2000 through September 30, 2001.

Despite the fact that no rate changes were made this year with the Federal Energy Regulatory Commission (FERC), there are two changes provided for in the current System rate schedules that will cause our customers' bills to increase.

Southwestern charges most of its customers a Purchased Power rate to cover the cost of power purchases to fulfill its contractual requirements. This rate can be adjusted annually based on the need to purchase power. This is similar to the fuel adjustment charge that you may have seen on your electric bills. Over the past year, many of the customers have been receiving a Purchased Power credit of $0.0011 per kilowatthour. This credit

was reduced to zero beginning October 1, 2000, due to the amount and the price of power Southwestern has had to purchase this year to meet our contractual requirements.

Also, those customers who transmit non-Federal power across Southwestern's transmission lines currently pay a rate for energy losses to Southwestern. This rate is based on what Southwestern has to pay to replace the energy for these losses. This rate will increase from $0.0252 per kilowatthour to $0.0272 per kilowatthour effective January 1, 2001.

In addition to rate activities the Rates Division has been very involved in the Southwest Power Pool's (SPP) development of a Regional Transmission Organization (RTO), an independent organization that provides region-wide transmission service. As a member of SPP, Southwestern currently participates as a transmission owner with its facilities contractually under the SPP regional tariff.

Things don't appear to be slowing down for the busy folks in Southwestern's Rates Division as demonstrated by the following look into FY 2001 activities.

Southwestern signed a membership agreement with SPP on October 11, 2000, to continue participation under the SPP comprehensive tariff with revised special conditions that include provisions specific to Southwestern and address the issue of operational control. Also, on October 13, 2000, Southwestern signed a membership agreement with the SPP to participate in the proposed SPP RTO, as currently developed. Attached to the membership agreement are the same special conditions implemented in the Comprehensive tariff membership agreement signed on October 11. On October 13, 2000, the SPP filed their proposal with FERC seeking formal recognition as an RTO.

In accordance with a memorandum from the Deputy Secretary of Energy directing the Power Marketing Administrations to participate in the RTO development process with the objective, if possible, of joining an RTO, Southwestern provided an informational filing to FERC on October 16, 2000, describing the actions taken that resulted in Southwestern being able to participate in SPP's proposed RTO.

It Slices, It Dices

BY SHARON KING AND SHARREN RIPLEY

In late summer Southwestern acquired two Kendall cutters (transmission line right-of-way cutting machines), purchased for use in the Gore and Jonesboro areas. The machines are capable of performing up to three times as much ground clearing as the brush hogs they replaced, saving valuable time and money and in turn, creating better power system reliability to our customers.

The Kendall cutters are versatile, accomplishing some jobs which were once performed manually, such as clearing fence rows and felling trees up to ten inches in diameter. Since the operator is clearing areas in front of the machine instead of behind it, there is an increased safety factor as well.

Tom Green, Director of the Division of Jonesboro/Gore Transmission Maintenance, reports that the cutters are a hit with the crews and productivity has increased in maintaining Southwestern's transmission line rights-of-way.

Gore Crews Tap Into Safety & Success

BY TOM GREEN

In the fall of 1998 one of Southwestern's linemen was injured while trying to operate the 138-kV Allen-Tap group operated air break (GOAB) sectionalizing switch on transmission line 3101. The switch, located on a 110-foot steel pole, was used to feed the City of Allen, OK and the surrounding community.

Initially installed in the early 1980s the switch was in need of repair. Southwestern's Safety & Health Team, in an effort to prevent further injuries, decided to upgrade the switch. Attempts to refurbish the switch were unsuccessful because it was out of adjustment and many of the components were badly burned.

Tom Green, Director of the Division of Jonesboro/Gore Transmission Maintenance, volunteered to serve as Design Engineer and Project Manager and began the process of land and material acquisition . He chose to replace the GOAB switches with SF6 gas circuit switchers. The new equipment needs minimal maintenance, can be remotely operated, and is cost effective and environmentally safe. The switchers are easily accessible with a small substation bucket truck and crews are trained to perform any needed maintenance.

The land acquisition process was completed by the end of July 2000. Braving intense heat, Southwestern's Gore crews began the two-month construction project to upgrade the 138-kV Allen-Tap sectionalizing GOAB switches.

Since this was the only feed for the community, crews replaced one switch at a time to ensure that area towns received their regular power service with minimal disruption. Only one-four hour outage, pre-planned on a Saturday night at midnight, was needed during construction.

The project was finished by Southwestern in record time and was put in service the first week of October 2000. Fencing and some grading are final touches that are nearly complete.

Virtually all of Southwestern's Gore employees were involved in this project. The work was accomplished during regular business hours with very limited overtime. In addition Western Farmers Electric Cooperative obtained the old steel structure for salvage, saving Southwestern approximately $10,000-$15,000 in removal costs.

Funding for the project was made possible by Western Farmers purchasing some of the major equipment and net billing by Southwestern through power purchases. Another in a long line of successful projects, this was a "win-win" endeavor for Southwestern and its customers.

Improvement on Nature

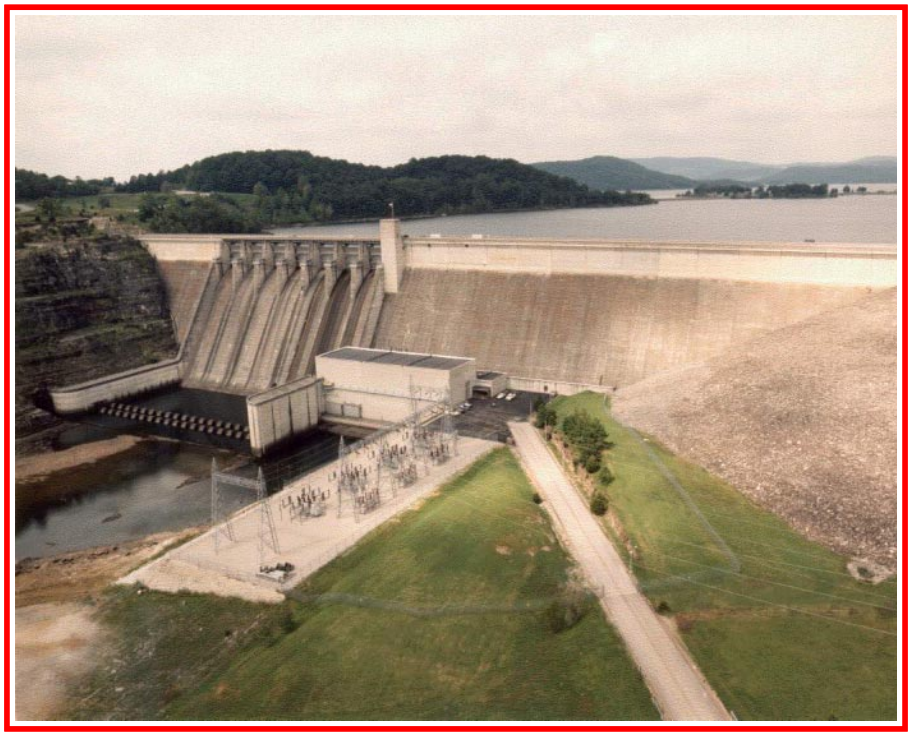
By DeAnn Rhea

One of four multi-purpose projects constructed in the upper White River Basin, Beaver Lake was built to control floods, as a water source for municipal and industrial use, and to generate hydroelectric power. Construction of Beaver Lake began in 1959 and consists of a concrete gravity spillway with earth embankment. In the spring of 1963 construction of the powerhouse and switchyard began, and in May of 1965, commercial generation was made available for sale. The project was completed in 1966.

Beaver Lake covers more than 28,000 acres at its normal depth and has an average depth of 60 feet. Near the dam, maximum depth is over 200 feet. Beaver Dam's highest power pool elevation is 1,120.4 feet above sea level.

The lake provides municipal and industrial water supply to counties in northwest Arkansas. Three intake structures provide a continuous water supply for the growing northwest Arkansas region. Because of this growth, there have been several reallocations of hydropower and flood control storage to water supply to meet the additional need.

Visitors to the dam can see two generators each produce more than 56,000 kilowatts of electricity. When the generators are brought "on line," the power they produce (a yearly average of 162 million kWh) is used to meet the demands for environmentally clean electricity, instead of using fossil fuels or nuclear generation.



The electricity generated is delivered over a network of high-voltage transmission lines owned by Southwestern and by public and private utility systems.

The power is then sold to municipalities, rural electric cooperatives, and public and private utilities in Arkansas, Kansas, Missouri, Oklahoma, Louisiana, and northeastern Texas. Water released during power generation at Beaver Dam will also be used downstream at Table Rock and Bull Shoals.

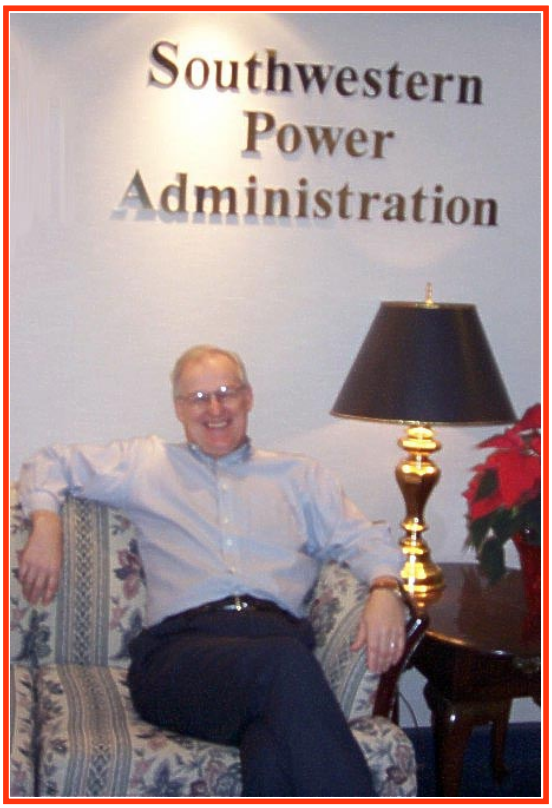
The project also offers excellent recreational opportunities. Beaver Lake is the newest of the "Great Lakes of the White River," covering some 70 miles through the Ozark mountains with almost 450 miles of shoreline. Its crystal clear water and hidden ruins appeal to divers who come in search of adventure.

Beaver Lake is a short distance from attractions such as the Ozark Scuba Center; the University of Arkansas; War Eagle Mill, Prairie Creek Golf Course; and Pea Ridge National Military Park, perhaps the best preserved Civil War battlefield in the United States. Beaver Dam is also within 10 miles of the beautiful resort town of Eureka Springs, Arkansas. Beaver Lake is near historical and fun-filled destinations for everyone to enjoy.

Next up, Blakely Mountain. Thanks as always to the Division of Scheduling & Operations for helping with this and upcoming articles. Until next time...

Thanks Giving

BY DARRELL GILLIAM



Recently I had the privilege of being selected to participate in the Department of Agriculture Graduate School's Executive Potential Program. As one of the requirements I spent 60 days in Washington, D.C. at the Department of Agriculture, observing the agency's operational processes. While away, I learned to appreciate Southwestern and the Tulsa area more than ever.

I am thankful for:

A reasonable amount of traffic to contend with while driving to and from work versus the congested road race and rage on the east coast;

A parking garage within two blocks of my office;

A beautiful office, furnished with the latest equipment, in a modern comfortable building;

An agency that practices Total Quality Management where ideas are generated from the bottom of the pyramid as well as from the top and where ideas are valued equally;

Directors and Senior Executives that I can talk to any time;

Managers who champion free discussion and actually listen, giving credit when credit is due;

Professional employees who really know their jobs and help one another;

Dedicated co-workers with whom I have become close friends;

Personnel, travel, budget, information management and procurement staff that are in touch with current policies and regulations and go out of their way to **make things happen;**

Although the restaurant choices are more numerous in D.C. than in Tulsa, I really missed the three coney's and a large drink special at the Original Coney Island, and last but not least,

A place where everybody knows my name.

Southwestern's Commitment to Caring

This year's Combined Federal Campaign (CFC) was the most successful in Southwestern's history, surpassing its goal by nearly 33 percent.

The hard work and generosity of Southwestern and contract employees resulted in the largest amount the agency ever raised for the CFC which is the Federal version of the United Way.

Celebration Honors Partnership

Southwestern and NPTO – Three Successful Years

BY SHARON KING

Beautiful weather, a picturesque park setting, good food and spirited competition combined to make the September 28 Southwestern / National Petroleum Technology Office (NPTO) celebration picnic one to remember. Held in Tulsa's Chandler Park, the event commemorated three years of successful cooperation between the two agencies.

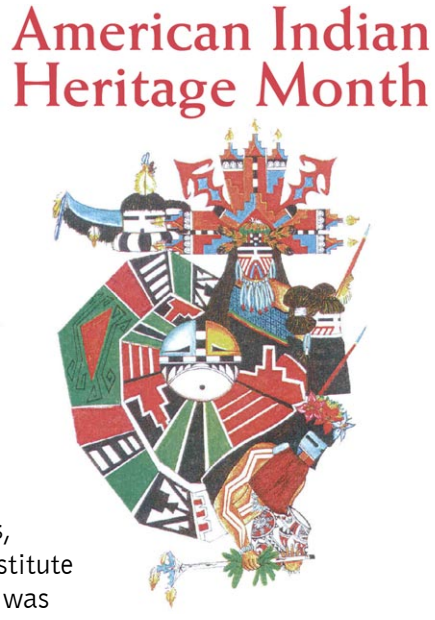
The tug-of-war competition was a highlight of the afternoon. Determined groups assembled to wage battles of Southwestern vs. NPTO and men vs. women. Victorious team members received bags of candy for prevailing in the day's epic struggles. Nimble picnickers also displayed their individual hula hoop techniques and prowess.

Southwestern Administrator Mike Deihl and NPTO Director Bill Lawson presented a commemorative plaque to the employees in appreciation for the three years as good neighbors and partners in public service. The plaque hangs in the 14th floor reception area as a testament to the successful teaming of Southwestern and NPTO.

DOE Honors Native Americans

BY SHARON KING

The Department of Energy's (DOE) annual celebration of Native American Heritage was held throughout the month of November with the theme "Energizing Tribal Relations Through Education and Environment." One of the highlights was a commemorative program originating from DOE Headquarters and attended via videoconferencing throughout DOE's field sites.



It was held November 2 and included a taped message from DOE Secretary Bill Richardson, who affirmed the Department's commitment to "significantly increase the ability of Indian tribes to meet their own energy resource needs and to encourage sustainable development in Indian Country through a tribal energy program focus." He emphasized that "Only through education and increased associations can we better understand each other. We can accomplish much more by working together."

The program also included an overview of the Albuquerque Operations Office and its efforts in establishing four community reuse organizations, whose goal it is to engage in economic development. The work of The Institute of American Indian Arts and Culture, located in Santa Fe, New Mexico was described as well. The Institute includes a museum that houses the largest collection of contemporary Indian art in the world.